

Message Text

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ACTION ARA-14

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 L-03
H-02 PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 AGRE-00 PC-05
/122 W

-----107195 101914Z /53

R 101405Z JAN 78

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8198

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY BONN

AMEMBASSY LA PAZ

AMEMBASSY QUITO

USMISSION GENEVA

UNCLAS SECTION 1 OF 2 LIMA 0209

US MISSION GENEVA FOR MTN

E.O. 11652: N/A

TAGS: ECIN

SUBJECT: RESULTS OF ANDEAN PACT COMMISSION MEETING HELD IN CARACAS

DEC. 12-16

REF: 77 CARACAS 12163, 77 CARACAS 12253

1. SUMMARY. THE ANDEAN COMMON MARKET COMMISSION. MEETING IN CARACAS, CHOSE TO SIDE-STEP OR POSTPONE MOST PENDING AND POTENTIALLY DIVISIVE ISSUES ON THE AGENDA. THE FIVE DECISIONS ADOPTED WERE MAINLY ADMINISTRATIVE MEASURES OR TEXTUAL MODIFICATIONS OF EARLIER DECISIONS. END SUMMARY.

2. THE TWENTY-THIRD ORDINARY SESSION OF THE ANDEAN COMMON MARKET (ANCOM) COMMISSION WAS HELD IN CARACAS DECEMBER 12-
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16 AT THE INVITATION OF PRESIDENT CARLOS ANDRES PEREZ. HOLDING THE MEETING OUTSIDE LIMA SEEMED TO BE MOTIVATED BY A VAGUE, OFTEN EXPRESSED DESIRE TO GIVE THE WORK OF THE ANCOM MECHANISMS BROADER EXPOSURE. MORE TO THE POINT, IT OFFERED A FORUM FOR PRESIDENT PEREZ TO EXPOUND HIS VISION OF A MORE OUTWARD-LOOKING ANCOM AS HE PRESENTED DECORATIONS TO THE COMMISSION AND JUNTA MEMBERS WHO

HAD RECENTLY ACHIEVED AGREEMENT ON THE LONG-STALLED AUTOMOTIVE SECTORAL PROGRAM. DURING THE SESSION THE COMMISSION ADOPTED FIVE NEW DECISIONS DESCRIBED BELOW. THEY ARE NON-CONTROVERSIAL IN NATURE AND AN EVALUATION OF THE SESSION MIGHT BETTER BE BASED ON AGENDA ITEMS WHICH WERE NOT SUCCESSFULLY RESOLVED. THE COMMISSION DID NOT ACCOMPLISH AN UPDATING OF THE SECTORAL PROGRAMS FOR THE PETROCHEMICAL AND METAL-WORKING SECTORS. RATHER, WORKING GROUPS FOR EACH SECTOR WERE FORMED WHICH ARE TO REFINES THE DRAFT REVISIONS BEGINNING IN EARLY FEBRUARY. THE MAIN STUMBLING BLOCK APPEARS TO HAVE BEEN THE DEMAND OF BOLIVIA THAT THE METALWORKING PROGRAM BE RE-WRITTEN TO PROVIDE MORE EQUITABLE TREATMENT FOR THAT COUNTRY. THE COMMISSION ALSO TURNED OVER TO A WORKING GROUP THE PROPOSAL THAT CERTAIN PRODUCTS BE REMOVED FROM THE LIST OF PRODUCTS RESERVED FOR POSSIBLE EVENTUAL PREFERRED TREATMENT UNDER SECTORAL PROGRAMS FOR INDUSTRIAL DEVELOPMENT (SPID). REMOVAL FROM THE LIST WOULD MEAN THEY WOULD BE IMMEDIATELY FREED OF TARIFFS WHEN TRADED WITHIN THE ANCOM. SEVERAL MEMBERS EXPRESSED RESERVATIONS FOR REASONS THAT VARIED WIDELY. FINALLY, THE COMMISSION AVOIDED WHAT COULD HAVE BEEN AN ACrimonious EXCHANGE OF CHARGES OVER AN AGENDA ITEM ON THE DEGREE OF COMPLIANCE WITH PAST DECISIONS. THE COMMISSION LISTENED TO THE JUNTA REPORT ON THE SUBJECT AND THEN ORGANIZED A SERIES OF BILATERAL MEETINGS TO REVIEW THE STATE OF

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PENDING COMPLAINTS. ALL MEMBER COUNTRIES ARE TO SUBMIT TO THE JUNTA WITHIN FIFTEEN DAYS THEIR COMMENTS ON THE JUNTA REPORT AS WELL AS ANY RESOLUTIONS REACHED BY THE BILATERAL GROUPS. BY CONTRAST, ACCORDING TO JUNTA MEMBER RAFAEL GARCIA VELASCO, WHO REVIEWED THE SESSION AFTER HIS RETURN, THE AGENDA ITEM ON THE TREATMENT OF INVESTMENTS BY "MIXED" ENTERPRISES WAS THE SUBJECT OF SUCH A SHARP DIVISION THERE WAS NO AREA OF CONSENSUS FOR WORKING GROUPS OR OTHER CONCILIATORY AGENTS TO BUILD FROM.

3. DECISIONS ADOPTED WERE:

A) DECISION 121: THIS DECISION INSTITUTIONALIZES ANNUAL MEETINGS (THREE SO FAR) OF THE MINISTERS OF AGRICULTURE. THE MINISTERS WILL ACT AS A COORDINATING BODY AND ADVISORY COMMITTEE TO THE COMMISSION. NO MULTILATERAL TREATY ON AGRICULTURAL COOPERATION WILL BE SIGNED AS IN THE CASES OF EDUCATION, PUBLIC HEALTH, AND LABOR, BUT THE EFFECT WILL BE SIMILAR TO THOSE OF EXISTING AGREEMENTS IN THESE AREAS.

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B) DECISION 122: THIS DECISION MODIFIES DECISION 92
ON CROP AND LIVESTOCK SANITATION. IT CONSISTS
BASICALLY OF A CATALOG OF DISEASES NOT COMMON TO THE
ANDEAN REGION, MEANS OF TRANSMISSION, AND AREAS PRE-
SENTLY AFFECTED. THE MEMBER COUNTRIES COMMIT THEM-
SELVES TO PROHIBIT IMPORTATION OF THE LISTED PRODUCTS
UNLESS THEY HAVE BEEN PROPERLY TREATED OR INNOCULATED.

C) DECISION 123: UNDER THIS DECISION THE COMMISSION
ADOPTED A 1978 BUDGET AMOUNTING TO US \$3.9 MILLION.
BOLIVIA AND ECUADOR ARE EACH ASSESSED 8 PERCENT AND THE
REMAINING COUNTRIES 28 PERCENT EACH. THE DECISION AUTHORIZES
ESTABLISHMENT OF A RESERVE FUND OF UP TO 20 PERCENT OF THE
BUDGET TO ASSURE LIQUIDITY SHOULD MEMBERS FAIL TO MAKE
TIMELY PAYMENT OF ASSESSMENTS. THE FUND IS TO BE COM-
POSED OF BUDGET SURPLUSES, INTEREST EARNED ON DEPOSITS,
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PROCEEDS FROM PUBLICATIONS, ETC.

D) DECISION 124: THIS DECISION SPELLS OUT THE RULES FOR THE TREATMENT AS "NEUTRAL CAPITAL" OF CAPITAL INVESTED BY DESIGNATED DEVELOPMENT FINANCING ENTITIES, A CONCEPT INTRODUCED BY DECISION 109. THESE INVESTING ENTITIES ARE EXEMPTED FROM THE STANDARD REQUIREMENT THAT SHARES BE PROGRESSIVELY TRANSFERRED UNTIL NATIONAL CONTROL IS ACHIEVED. SHARES MAY EVEN BE TRANSFERRED TO FOREIGN INVESTORS SO LONG AS THE EXISTING PROPORTION OF NATIONAL CONTROL IS MAINTAINED. NEUTRAL CAPITAL IS NOT COUNTED WHEN DETERMINING WHETHER AN ENTERPRISE IS "MIXED" (MAJORITY FOREIGN CONTROL OR "NATIONAL" (MAJORITY NATIONAL CONTROL). THE THREE INTERNATIONAL INSTITUTIONS OF WHICH ALL ANCOM COUNTRIES ARE MEMBERS AND WHICH MEET THE CRITERIA OF THIS DECISION ARE THE ANDEAN DEVELOPMENT CORPORATION (CAF), THE INTERAMERICAN DEVELOPMENT BANK, AND THE INTERNATIONAL FINANCE CORPORATION.

E). DECISION 125: AT THE REQUEST OF THE FRG GOVERNMENT, THE GERMAN SOCIETY FOR ECONOMIC COOPERATION (DEUTSCHE GESELLSCHAFT FÜR WIRTSCHAFTLICHE ZUSAMMENARBEIT) IS ADDED TO THE ABOVE LIST OF INTERNATIONAL INSTITUTIONS.

3. THE SESSION ALSO SAW A NUMBER OF BILATERAL AGREEMENTS SIGNED. UNDER THE CONDITIONS OF DECISION 120 (AUTOMOTIVE SPID) BOLIVIA SIGNED ASSEMBLY AGREEMENTS WITH PERU AND WITH VENEZUELA AND ECUADOR SIGNED A CO-PRODUCTION AGREEMENT WITH VENEZUELA. BOLIVIA AND ECUADOR SIGNED AN AGREEMENT TO REMOVE ALL NON-TARIFF BARRIERS IMPEDING THE TRADE BETWEEN THE TWO COUNTRIES IN PRODUCTS ASSIGNED TO THEM UNDER EXISTING SPIDS.

4. ACCORDING TO THE AGENDA ANDRAFAEL GARCIA VELASCO'S
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REVIEW OF THE SESSION, A GOOD BIT OF TIME WAS DEVOTED TO EFFORTS TO ASSURE A MORE ACTIVE AND UNITED APPROACH IN DEALING WITH NON-MEMBER COUNTRIES AND INSTITUTIONS. THE JUNTA REPORTED ON NEGOTIATIONS WITH THE EEC ON MULTI-FIBER TEXTILE AGREEMENTS AND COMMITTED ITSELF TO ACHIEVING A FULLY COORDINATED NEGOTIATING POSITION PRIOR TO REOPENING NEGOTIATIONS. THE JUNTA ALSO REPORTED ON THE STATE OF THE MTN AND WAS AGAIN DIRECTED TO ASSURE COMPLETE COORDINATION OF NEGOTIATING POSITIONS. THE JUNTA REPORTED ON CONTINUING TALKS OVER FURTHER TIES WITH ARGENTINA, BRAZIL, AND MEXICO. IN HIS COMMENTS, RAFAEL GARCIA NOTED THAT ALTHOUGH THERE IS NO PROGRESS WITH BRAZIL TALKS WITH THE OTHER TWO SHOW PROSPECTS OF PROVIDING EXPANDED MARKETS AND FINANCING SOURCES.

5. WITH THE FINAL COMMISSION MEETING OF 1977 THE PRESIDENCY

ROTATED TO THE PERUVIAN MEMBER, MINISTER OF INTEGRATION, VICE-ADMIRAL RAFAEL DURAN REY. DURAN RETIRED AT THE NEW YEAR AND IT IS NOT CLEAR WHO WILL REPRESENT PERU UNDER THE RE-ORGANIZATION WHICH MERGES INTEGRATION WITH THE MINISTRIES OF INDUSTRY AND TOURISM, AND COMMERCE. THE NEW MINISTER (MAJOR GENERAL GASTON IBANEZ O'BRIEN) HAS NOT INDICATED WHETHER HE WILL PARTICIPATE IN COMMISSION MEETING HIMSELF OR DESIGNATE AN ALTERNATE.

6. COPIES OF THE ACTA FINAL BEING FORWARDED TO ARA/ECP AND COMMERCE FOR REVIEW.

7. COMMENT: THIS SESSION MARKED THE END OF THE EUPHORIA THAT FOLLOWED THE SIGNING OF THE AUTOMOTIVE PROGRAM AND A RETURN TO THE MORE MUNDANE AND NAGGING ISSUES OF BOLIVIAN DISAFFECTION, CHARGES OF NON-COMPLIANCE, AND DIFFERING TREATMENT OF FOREIGN CAPITAL IN "MIXED" ENTERPRISES. AT THE SAME TIME, IT SEEMED TO REFLECT A BEGINNING SHIFT IN THE BALANCE BETWEEN PREOCCUPATION WITH INTERNAL DIVISIONS AND EFFORTS TO PRESENT A MORE UNCLASSIFIED

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